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## Current Support Brief

SUCCESSFUL IMPLEMENTATION OF RUMANIAN  
PLANS FOR INCREASED TRADE WITH THE FREE WORLD



CENTRAL INTELLIGENCE AGENCY  
Office of Research and Reports

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SUCCESSFUL IMPLEMENTATION OF RUMANIAN  
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Preliminary data for 1961 indicate that more than 30 percent of Rumanian foreign trade was directed toward the Free World, a goal originally planned to be achieved by 1965. Moreover, total trade has increased at an annual rate of about 25 percent since 1959 compared with the 12-percent annual average rate of increase implied by Premier Gheorgiu-Dej in a speech to the Third Party Congress in which he stated that trade in 1965 would be double the level of trade in 1959. 1/

Long-term plans announced in June 1960 had called for 30 to 35 percent of the total trade of Rumania to be with the Free World by 1965, a reflection of the increased need for Western capital equipment to fulfill industrial expansion aims under the Six Year Plan (1960-65). Fulfillment of the industrialization program requires increased imports of technologically advanced machinery and equipment for the Rumanian chemical, metalworking, and wood-processing industries not readily available within the Soviet Bloc. Such imports have come largely from Western Europe, and trade with this area has increased rapidly during the past 2 years. In the first 9 months of 1961, imports from Western Europe rose about 70 percent while exports increased 45 percent. 2/ Trade expansion with individual countries of Western Europe has been equally impressive, trade with Italy being 60 percent higher than in 1960, with Austria 50 percent higher, and with France 30 percent higher. 3/

During the immediate postwar years, Rumania attempted to orient its entire foreign trade toward the Bloc but as early as 1953 recognized the advantages of enlarging its trade relations with the Free World. During that year the Bloc absorbed 93 percent of Rumanian exports, but was able to satisfy only about 78 percent of Rumanian import needs. 4/ Rumania thus incurred an import surplus with the West in that year and the following years, and its foreign exchange reserves decreased at an alarming rate. Since that period the Rumanian trade balance with the West has gradually improved, to the extent that Rumania achieved an export surplus with the West in 1959 and 1960.

14 May 1962

CIA/RR CB 62-36

Page 1

S-E-C-R-E-T

S-E-C-R-E-T

In an attempt to expand its trade with Western Europe, Rumania has shown a great amount of resourcefulness. First, as a prerequisite to improved commercial relations, the Rumanian government during the past few years has succeeded in negotiating agreements for the settlement of virtually all outstanding property claims by foreign nationals. The expansion of sales to these countries also has required an improvement in the quality of Rumanian goods in order to meet the higher standards prevailing in the industrialized European markets. With the improvement of quality, Rumania has attached guarantees to many of its export products. In order to safeguard its gains in trade, Rumania has replaced annual trade agreements by long-term trade agreements with Italy, France, Austria, and the UK.

A large part of Rumanian imports from Western Europe has consisted of complete industrial installations. For example, VOEST of Austria has participated in negotiations with Rumania for a steel mill worth \$54 million. 5/ Other contracts being negotiated with the West include construction by US and British businessmen of five paper factories worth \$70 million to \$80 million 6/ and construction of a metallurgical complex, a cellulose complex, and a petroleum and chemical complex by Michel Freres, a French firm. 7/ In some cases involving the construction of fairly large projects, two or more countries of Western Europe have participated. In May 1961, four West German and Italian firms formed a consortium to supply Rumania with an aluminum factory having an annual capacity of 50,000 metric tons. A shopping list recently furnished to the Belgian Government by Gaston-Marin, President of the Rumanian State Planning Committee, indicates other types of machinery and equipment needed for the completion of the Rumanian Six Year Plan, such as an aluminum plant, chemical and cellulose plants, food-processing plants, and transportation equipment. 8/ To help pay for its purchases, Rumania has accumulated more than \$7 million in hard currencies in 1959 and 1960 through export surpluses with Western Europe and has attracted some Western credits. Although the total value of credits that Rumania has received from Western countries is not known, there is evidence that Rumania has succeeded in arranging deferred payment terms on some of the larger installations purchased in Western Europe.

Machinery and equipment have been the main imports from Western Europe, but Rumania also imports ferrous metals, chemical, wood and agricultural products, and

S-E-C-R-E-T

S-E-C-R-E-T

textile raw materials. In return, Rumania exports petroleum, chemicals, textile products, construction material, food, and a small amount of machinery and equipment.

Current negotiations indicate that the upward trend in Rumanian trade with Western Europe can be expected to continue. For example, contracts already have been concluded for Rumanian purchases of iron, zinc, and lead factories from the UK and Italy; a furniture factory from the UK; and two chemical plants from Belgium. 9/

14 May 1962

CIA/RR CB 62-36

Page 3

S-E-C-R-E-T

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14 May 1962

CIA/RR CB 62-36

Page 4

S-E-C-R-E-T

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S-E-C-R-E-T

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